

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER COMPANY	DOCKET NO. TF-99-278
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ORDER REJECTING TARIFF

(Issued October 20, 1999)

On September 21, 1999, Interstate Power Company (Interstate) filed with the Utilities Board (Board) a proposed tariff, identified as TF-99-278, that would more than double the current rate for electric standby service for new customers. The current customers on standby service would have their rates frozen for existing load subject to standby service but would pay the increased rate for any additional standby load. Interstate developed the new rate based on billing and cost data from a previous rate case, Docket No. RPU-95-1, that used a 1994 test year.

The Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed an objection to the proposed tariff on October 6, 1999. Consumer Advocate argued that the proposed tariff violates the rate freeze agreed to by Interstate in conjunction with its merger with IES Utilities Inc. (IES) and Wisconsin Power and Light (WPL). Consumer Advocate also said the proposal violates the prohibition against single-issue ratemaking and that the data used to develop the rate is outdated and may not reflect current costs. Interstate filed a response to Consumer Advocate on October 18, 1999.

The Board addressed the rate freeze issue in its September 16, 1997, order in the Interstate/IES/WPL merger docket, Docket No. SPU-96-6. In that order at pages 13-14, the Board stated its understanding that Interstate committed to extend to Iowa conditions imposed by other states ruling on the merger. One of the conditions imposed by Minnesota was a four-year rate freeze, with an exception for extraordinary circumstances not relevant here.

Interstate's proposed tariff would increase rates for any new customers on the rider and for any increased loads for current customers. The Board believes that this increase in rates for new customers violates the rate freeze. While it is likely that only a few customers would be impacted by this tariff change, the proposed tariff does represent an increase in rates prior to the rate freeze's expiration. This tariff is no different, other than with respect to the number of customers impacted, than if Interstate proposed to increase rates for all new residential customers. Such tariffs violate both the letter and the intent of the rate freeze.

The proposed tariff also raises issues of piece-meal or single-issue ratemaking and the use of outdated, rather than current, billing and cost data. However, because the Board will reject the tariff as contrary to the agreed-upon rate freeze, the Board will not address the other issues raised by Consumer Advocate. These issues can be addressed if Interstate refiles the proposed tariff following expiration of the rate freeze.

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IT IS THEREFORE ORDERED:

Tariff filing TF-99-278 is rejected, without prejudice.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Raymond K. Vawter, Jr.
Executive Secretary

/s/ Diane Munns

Dated at Des Moines, Iowa, this 20th day of October, 1999.